

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 ACDA-07

PM-04 L-03 NASA-01 NSC-05 ERDA-05 OES-06 MC-02 SP-02

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R 021721Z DEC 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3798

INFO AMCONSUL BREMEN

AMCONSUL MUNICH

AMCONSUL HAMBURG

AMEMBASSY LONDON

AMEMBASSY PARIS

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AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 20366

E.O. 11652: GDS

TAGS: EAIR, GW, FR, US, UK

SUBJECT: EUROPEAN-US AEROSPACE COOPERATION

REF: BONN 19669

SUMMARY: BOEING REPRESENTATIVE RESIDENT IN
BONN, RUDY HILLINGA, NOVEMBER 30 GAVE EMBOFF REPORT ON
RECENT TALKS BY BOEING PRESIDENT WITH FRG GOVERNMENT AND
INDUSTRY OFFICIALS. HE INDICATED BOEING COOPERATION IN
AIRBUS B-10 VERY UNLIKELY AND THAT FEDERAL GOVERNMENT
LEANING TO PARTICIPATION IN MERCURE 200 RATHER THAN
BOEING 7N7 PROJECT. GERMAN MANUFACTURER THAT MIGHT
PARTICIPATE IN 7N7, MBB, STRONGLY FAVORS SUCH PARTICI-
PATION AND ADAMANTLY OPPOSED TO JOINING IN MERCURE 200
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MANUFACTURE. LUFTHANSA AIRLINES OFFICIAL TOLD BOEING

THEY WOULD BUY 7N7 EVEN IF IT COMPLETELY US MADE AND IF THE FEDERAL GOVERNMENT WERE OPPOSED. BOEING APPEARS CONFIDENT IT CAN PRODUCE BOTH 7N7 AND 7X7 WITHOUT EUROPEAN PARTICIPATION AND THAT THE RESULTING AIRCRAFT WILL BE FAR SUPERIOR TO ANYTHING THE COMPETITION CAN PRODUCE. END SUMMARY.

1. EMBOFF NOVEMBER 30 DISCUSSED SITUATION ON INTERNATIONAL CIVIL AIRLINER PRODUCTION COOPERATION WITH BOEING REPRESENTATIVE IN GERMANY RUDY HILLINGA. HE REPORTED THAT BOEING PRESIDENT E. H. BOULLION HAD MET IN BONN WITH FRG AEROSPACE INDUSTRY COORDINATOR AND STATE SECRETARY OF THE MINISTRY OF ECONOMIC AFFAIRS MARTIN GRUENER TO DISCUSS POSSIBLE COOPERATION ON PRODUCTION OF THE BOEING 7N7. WHILE IN GERMANY BOULLION ALSO TALKED TO OFFICIALS OF LUFTHANSA AND TO MBB, A FIRM IN WHICH BOEING HAS ABOUT 1.5 PERCENT OWNERSHIP.

2. GRUENER SAW LITTLE HOPE FOR FRG COOPERATION WITH BOEING ON EITHER THE AIRBUS B-10 OR THE 7N7. HILLINGA AFFIRMED THAT BOEING HAD REFUSED TO GET INVOLVED IN THE B-2 AND B-4 VERSIONS OF THE AIRBUS (REF B) AND HAD INSISTED ON HAVING MANAGEMENT CONTROL OF THE B-10 PROJECT, CONDITIONS WHICH THE FRENCH AND GERMANS WOULD NOT ACCEPT. HILLINGA FELT THAT BOEING'S OFFER WAS NEVERTHELESS GENEROUS SINCE WELL OVER HALF THE ACTUAL PRODUCTION WORK WOULD GO TO THE EUROPEAN PARTICIPANTS INCLUDING DESIGN (TO BOEING SPECIFICATIONS) AND MANUFACTURE OF THE WING, THE WING PODS, ENGINES AND LANDING GEAR. BOEING, HOWEVER, HAS CONCLUDED THAT THERE IS VIRTUALLY NO CHANCE OF A COOPERATIVE PROJECT FOR THE B-10.

3. GRUENER ALSO ALL BUT RULED OUT GERMAN PARTICIPATION IN THE 7N7 BECAUSE HE FEARS THAT FRG PARTICIPATION IN THE COMPETING MERCURE 200 PROJECT WOULD BE NECESSARY TO KEEP FRANCE IN THE B-10. HILLINGA SAID THAT BOULLION TOLD GRUENER THAT HE WOULD VERY MUCH LIKE TO HAVE GERMAN PARTICIPATION IN THE 7N7 BUT THAT HE WOULD HAVE TO HAVE A FIRM PROPOSAL BY FEBRUARY 1977 OR BOEING WOULD CONFIDENTIAL

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GO AHEAD WITHOUT GERMANY. BOEING ANTICIPATES THAT THE MARKET FOR THE 7N7 WILL SOON BE OPENING UP AND DELAY BEYOND FEBRUARY IS UNACCEPTABLE.

4. BOEING FARED SOMEWHAT BETTER WITH LUFTHANSA OFFICIALS. HILLINGA SAID LUFTHANSA STATED FLATLY IT WOULD PURCHASE THE 7N7, PROVIDING IT MET LUFTHANSA'S SPECIFICATIONS, EVEN IF IT WERE COMPLETELY AMERICAN-MADE. THE OFFICIALS

WERE COMPLETELY CONFIDENT THAT THEY HAD SUFFICIENT INDEPENDENCE TO MAKE THIS DECISION WITHOUT REGARD TO THE WISHES OF THE GOVERNMENT, ALTHOUGH THEY WOULD PREFER TO HAVE GOVERNMENT APPROVAL.

5. BOULLION ALSO TALKED TO MBB PRESIDENT LUDWIG BOEKLOW. HILLINGA SAID BOEKLOW WAS LIVID ON THE SUBJECT OF THE MERCURE 200 AND WANTED MBB TO HAVE NO PART IN ITS PRODUCTION. HIS PRINCIPLE OBJECTION SEEMED TO BE THAT AT 180 SEATS IT WOULD BE TOO CLOSE IN SIZE TO THE B-10 WITH

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200 SEATS AND THE TWO AIRCRAFT WOULD UNDERCUT EACH OTHER.

HE MUCH PREFERRED THE 7N7 WITH 120 AND 160 SEAT VERSIONS.

6. HILLINGA SAID THAT BOEING WAS STILL OPEN TO PROPOSALS FROM THE FRG AND/OR UK. IF THE GERMAN GOVERNMENT WILL NOT GIVE A DEVELOPMENT SUBSIDY TO MBB, BOEING MIGHT DECIDE TO GO AHEAD WITHOUT IT DESPITE THE HIGHER COSTS VIS-A-VIS AN ENTIRELY AMERICAN PROJECT.

7. BOEING CONSIDERS COOPERATION WITH EUROPEAN MANUFACTURERS USEFUL ONLY FOR THE MARKET ACCESS IT PROVIDES. FROM EVERY OTHER ASPECT IT WOULD PREFER TO HAVE COMPLETE CONTROL OF ITS PROJECTS AND TO DO ALL ITS SUB-CONTRACTING
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TO AMERICAN FIRMS. HILLINGA BELIEVES THAT THERE IS A STRONG AND GROWING INCLINATION AMONG BOEING DECISION MAKERS TO GIVE UP ON THE IDEA OF EUROPEAN COOPERATION AS TOO TROUBLESOME, UNCERTAIN AND TIME CONSUMING. HE CLAIMED NOT TO BE TOO WORRIED ABOUT THE THREAT OF BEING EXCLUDED FROM THE EUROPEAN MARKET, NOTING THAT THE CAPABILITY OF THE EUROPEAN GOVERNMENTS TO EFFECT THIS WAS QUESTIONABLE AND THAT THERE WERE RETALIATORY ACTIONS THE US COULD TAKE SUCH AS AN EMBARGO ON EXPORTS TO EUROPE OF LONG RANGE AIRCRAFT FOR INTERNATIONAL AIRLINES.

8. HILLINGA SAID THAT BOEING WAS SO CONFIDENT OF ITS ABILITY TO PRODUCE A SUPERIOR AIRCRAFT TO THAT OF ANY POTENTIAL COMPETITOR AND OF THE STRENGTH OF THE MARKET THAT IT WAS VERY CLOSE TO A DECISION TO BUILD A PROTOTYPE 7X7 WITHOUT FIRST SEEKING AIRLINE ORDERS. BECAUSE OF ITS VERY SUCCESSFUL SALES BOEING IS IN A POSITION TO TAKE THIS RISK.

9. BOEING IS SIMILARLY CONFIDENT ABOUT THE 7N7. HILLINGA SAID THAT THERE IS NO DOUBT THAT BOEING'S PRODUCTS WILL BE CLEARLY SUPERIOR TO ANYTHING THE COMPETITION, EUROPEAN OR AMERICAN CAN COME UP WITH. FOR THE EUROPEAN MARKET THERE WOULD BE AN ADVANTAGE OF COMMONALITY IF BOEING PARTICIPATED IN THE B-10 RATHER THAN PRODUCING THE 7X7, BUT BOEING FEELS THAT IT HAS MADE SUCH GREAT ADVANCES IN TECHNOLOGY THAT IT IS WELL WORTH SACRIFICING COMMONALITY FOR A SUPERIOR PRODUCT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AEROSPACE INDUSTRY, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 02 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN20366
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760446-0709
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761276/aaaacobc.tel
Line Count: 217
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 BONN 19669
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by ShawDG>; APPROVED <07 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EUROPEAN-US AEROSPACE COOPERATION
TAGS: EAIR, GE, FR, US, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006